

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name IM-K Joint Wastewater Treatment Plant	County Dickinson
Fiscal Year End 6/30/06	Opinion Date 7/12/06	Date Audit Report Submitted to State 9/15/06	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	NA		
Certified Public Accountant (Firm Name) Anderson, Tackman & Co., PLC		Telephone Number 906-774-4300		
Street Address 201 E. Hughitt		City Iron Mountain	State MI	Zip 49801
Authorizing CPA Signature 		Printed Name Shane M. Ellison, CPA		License Number 263063

**IRON MOUNTAIN - KINGSFORD JOINT**  
**WASTEWATER TREATMENT PLANT**

**REPORT ON FINANCIAL STATEMENTS**

(with additional information)

For the Year Ended June 30, 2006

**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

**INDEPENDENT AUDITORS' REPORT**

Joint Board of Commissioners  
Iron Mountain – Kingsford Joint Wastewater Treatment Plant  
Iron Mountain – Kingsford, Michigan

We have audited the accompanying financial statements of the governmental and business-type activities of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant as of and for the year ended June 30, 2006, which collectively comprise the Plant's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plant's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant as of June 30, 2006, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with "*Government Auditing Standards*", we have also issued our report dated July 18, 2006 on our consideration of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "*Government Auditing Standards*" and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 10 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant taken as a whole. The supplemental information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

July 18, 2006

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant's financial performance provides an overview of the financial activities for the year ended June 30, 2006. Please read it in conjunction with the Plant's financial statements, which begin on page 11.

### **FINANCIAL HIGHLIGHTS**

- The Plant's total net assets decreased \$228,958, or 4.9%, for the year ended June 30, 2006. The net assets of our governmental activities decreased \$29,469, or 6.2%, while the net assets of our business activity (Wastewater Treatment Plant) decreased \$199,489, or 4.8%.
- During the year ended June 30, 2006, the Plant's governmental expenses exceeded revenues by \$29,469. This compares to an excess of revenues over expenses of \$25,472 for the year ended June 30, 2005. The change of \$54,941 was substantially due to decreased revenues from the Cities of Iron Mountain and Kingsford, as well as reduced transfers to the business activity fund.
- The operating revenues of the Plant's business type activity for 2006 of \$719,814 exceeded that of 2005 of \$625,300 by \$94,514. The Plant's operating expenses for 2006 of \$1,003,729 exceeded that of 2005 \$941,526, by \$62,203. The Plant incurred an operating loss for 2006 of \$(283,915) versus \$(316,226) for 2005. The Plant incurred a decrease in net assets for 2006 of \$(199,489) versus \$(212,520) for 2005. The change of \$13,031 was primarily due to an increase in charges for services of \$94,514 and an increase in expenses of \$62,203.
- The total cost of all of the Plant's programs was \$1,004,863 for 2006 versus \$977,659 for 2005, for an increase of \$27,204, or 2.8%. The increase was substantially due to an increase in solids handling and in utility rates.

### **USING THIS REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Plant as a whole and present a longer-term view of the Plant's finances. For governmental activities, these statements report how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Plant's operations in more detail than the government-wide statements by providing information about the Plant's most significant funds.

## REPORTING THE PLANT AS A WHOLE

Our analysis of the Plant as a whole begins on page 11. One of the most important questions asked about the Plant's finances is "Is the Plant, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Plant as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Plant's *net assets* and changes in them. You can think of the Plant's net assets – the difference between assets and liabilities – as one way to measure the Plant's financial health, or *financial position*. Over time, *increases or decreases* in the Plant's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Plant's property, plant and equipment to assess the *overall financial health* of the Plant

In the Statement of Net Assets and the Statement of Activities, we divide the Plant into two kinds of activities:

- Government activities – The Plant's capital project activities are reported here. A portion of fees charged to customers are used to fund the majority of these activities.
- Business-type activities – The Plant charges fees to customers to help it cover all or most of the costs of services it provides. The Plant's Wastewater Treatment activity is reported here.

## REPORTING THE PLANT'S MOST SIGNIFICANT FUNDS

Our analysis of the Plant's major funds begins on page 13. The fund financial statements provide detailed information on the most significant funds, which includes all of the Plant's funds. Some funds are required to be established by State law. However, the Plant Commission may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The Plant's two kinds of funds – *governmental* and *proprietary* – use different accounting methods.

- *Government funds* – The Plant's capital project activities are reported in a governmental fund which focuses on how money flows into, and out of the fund and the balance left at year-end that is available for spending. This fund uses an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statement provides a detailed *short-term view* of the Plant's general government operation and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Plant's programs.
- *Proprietary funds* – The Plant charges customers for the services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Plant's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

## THE PLANT AS A WHOLE

The Plant's combined net assets at June 30, 2006 decreased \$228,958 from June 30, 2005.

**Table 1**  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>6-30-06</u>	<u>6-30-05</u>	<u>6-30-06</u>	<u>6-30-05</u>	<u>6-30-06</u>	<u>6-30-05</u>
<b>Assets:</b>						
Current and other assets	\$442,209	\$471,678	\$ 75,498	\$ 59,313	\$ 517,707	\$ 530,991
Capital assets (net)	<u>-</u>	<u>-</u>	<u>3,889,776</u>	<u>4,118,696</u>	<u>3,889,776</u>	<u>4,118,696</u>
Total assets	<u>442,209</u>	<u>471,678</u>	<u>3,965,274</u>	<u>4,178,009</u>	<u>4,407,483</u>	<u>4,649,687</u>
<b>Liabilities - Current</b>	<u>-</u>	<u>-</u>	<u>16,815</u>	<u>30,061</u>	<u>16,815</u>	<u>30,061</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	-	-	3,889,776	4,118,696	3,889,776	4,118,696
Unrestricted	<u>442,209</u>	<u>471,678</u>	<u>58,683</u>	<u>29,252</u>	<u>500,892</u>	<u>500,930</u>
<b>Net Assets</b>	<u>\$442,209</u>	<u>\$471,678</u>	<u>\$3,948,459</u>	<u>\$4,147,948</u>	<u>\$4,390,668</u>	<u>\$4,619,626</u>

Net assets of the Plant's governmental activities at June 30, 2006, stood at \$442,209 and all was unrestricted.

Net assets of the business-type activity at June 30, 2006, stood at \$3,948,459. Unrestricted net business assets were \$58,683. In general, the business-type activity unrestricted net assets should be used to finance operations of the Plant. However, the Board of Commissioners could transfer funds from the business activity unrestricted assets to the governmental activities area should the need arise.



**Table 2**  
**Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>6/30/2006</u>	<u>6/30/2005</u>	<u>6/30/2006</u>	<u>6/30/2005</u>	<u>6/30/2006</u>	<u>6/30/2005</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 719,814	\$ 625,300	\$ 719,814	\$ 625,300
General revenues:						
Unrestricted contributions	37,885	156,325	-	-	37,885	156,325
Unrestricted investment earnings	16,811	8,477	1,395	509	18,206	8,986
Total revenues	<u>54,696</u>	<u>164,802</u>	<u>721,209</u>	<u>625,809</u>	<u>775,905</u>	<u>790,611</u>
<b>Program Expenses:</b>						
Contracted services	1,134	36,133	-	-	1,134	36,133
Wastewater treatment	-	-	1,003,729	941,526	1,003,729	941,526
Total expenses	<u>1,134</u>	<u>36,133</u>	<u>1,003,729</u>	<u>941,526</u>	<u>1,004,863</u>	<u>977,659</u>
Excess (deficiency) before transfers	53,562	128,669	(282,520)	(315,717)	(228,958)	(187,048)
<b>Fund transfers</b>	<u>(83,031)</u>	<u>(103,197)</u>	<u>83,031</u>	<u>103,197</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net assets	(29,469)	25,472	(199,489)	(212,520)	(228,958)	(187,048)
<b>Net assets - beginning of period</b>	<u>471,678</u>	<u>446,206</u>	<u>4,147,948</u>	<u>4,360,468</u>	<u>4,619,626</u>	<u>4,806,674</u>
<b>Net assets - end of period</b>	<u>\$442,209</u>	<u>\$471,678</u>	<u>\$3,948,459</u>	<u>\$4,147,948</u>	<u>\$4,390,668</u>	<u>\$4,619,626</u>

## BUSINESS-TYPE ACTIVITIES

Revenues for the Plant's business-type activity, sewage treatment, totaled \$721,209. The Plant's customer base has been stable and, for the most part, consists of the Cities of Iron Mountain and Kingsford.

## THE PLANT'S GOVERNMENTAL FUND

As the Plant completed the year, its governmental fund (as presented in the balance sheet on page 13) reported a fund balance of \$442,209, a decrease of \$29,469 from the beginning of the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2006, the Plant had \$10,141,069 invested in a variety of capital assets including land, equipment, buildings, and its wastewater system as follows:

**Table 4**  
**Capital Assets**  
**Business – Type Activity**

	<u>6-30-06</u>	<u>6-30-05</u>
Land	\$ 31,635	\$ 31,635
Buildings and improvements	9,225,609	9,192,970
Equipment and vehicles	<u>883,825</u>	<u>870,716</u>
Total cost	10,141,069	10,095,321
Less accumulated depreciation	<u>(6,251,293)</u>	<u>(5,976,625)</u>
<b>NET FIXED ASSETS</b>	<b><u>\$3,889,776</u></b>	<b><u>\$4,118,696</u></b>

The Plant invested \$45,749 in capital assets during the year ended June 30, 2006. Depreciation expense for fiscal 2006 was \$274,668.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Plant's appointed officials considered many factors when setting the rates and fees for the fiscal year 2006/2007 budget. The current state of the economy has been a major contributing factor in establishing these rates. In the upcoming year, we do not anticipate any significant industrial growth that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues. All of these were taken into consideration during the 2006/2007 budget process.

## **CONTACTING THE PLANT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers with a general overview of the Plant's finances and to show the Plant's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Plant Manager, Gary Lessard, at Box 88, Kingsford, Michigan 49802, or call 906-774-2255.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**STATEMENT OF NET ASSETS**

June 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Current assets:			
Cash and equivalents	\$ 440,796	\$ 47,613	\$ 488,409
Accounts receivable	1,413	26,839	28,252
Prepaid insurance	-	1,046	1,046
	<u>442,209</u>	<u>75,498</u>	<u>517,707</u>
Total current assets			
Noncurrent assets:			
Capital assets	-	10,141,069	10,141,069
Accumulated depreciation	-	(6,251,293)	(5,976,625)
	<u>-</u>	<u>3,889,776</u>	<u>3,889,776</u>
Total noncurrent assets			
<b>TOTAL ASSETS</b>	<u>442,209</u>	<u>3,965,274</u>	<u>4,407,483</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	-	6,228	6,228
Accrued wages	-	10,587	10,587
	<u>-</u>	<u>16,815</u>	<u>16,815</u>
<b>TOTAL CURRENT LIABILITIES</b>			
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	-	3,889,776	3,889,776
Unrestricted	<u>442,209</u>	<u>58,683</u>	<u>500,892</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 442,209</u>	<u>\$ 3,948,459</u>	<u>\$ 4,390,668</u>

The accompanying notes to the financial statements are an integral part of this statement.





**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2006

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
				Primary Government		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
						Total
<b>FUNCTIONS/PROGRAMS</b>						
<b>PRIMARY GOVERNMENT:</b>						
Governmental Activities:						
Contracted services	\$ 1,134	\$ -	\$ 37,885	\$ -	\$ 36,751	\$ -
						\$ 36,751
<b>Business-type activities:</b>						
Sewage treatment	1,003,729	719,814	-	-	-	(283,915)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,004,863</b>	<b>\$ 719,814</b>	<b>\$ 37,885</b>	<b>\$ -</b>	<b>\$ 36,751</b>	<b>\$ (283,915)</b>
General revenues:						
Unrestricted investment earnings					16,811	18,206
Transfers					(83,031)	83,031
						-
Total general revenues and transfers					(66,220)	84,426
						18,206
Changes in net assets					(29,469)	(199,489)
						(228,958)
Net assets, beginning of year					471,678	4,147,948
						4,619,626
Net assets, end of year					\$ 442,209	\$ 3,948,459
						\$ 4,390,668

The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**BALANCE SHEET  
GOVERNMENTAL FUND  
Capital Projects Fund**

June 30, 2006

ASSETS:

Cash and equivalents	\$ 440,796
Accounts receivable	<u>1,413</u>

TOTAL ASSETS

\$ 442,209

FUND BALANCE:

Unreserved:

Undesignated

\$ 442,209

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
Capital Projects Fund**

For the Year Ended June 30, 2006

REVENUES:

Unrestricted contributions:

City of Iron Mountain	\$ 19,395
City of Kingsford	17,787
Parrish Properties	703
Investment earnings	<u>16,811</u>

TOTAL REVENUES	54,696
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EXPENDITURES:

Consulting/Engineering	<u>1,134</u>
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EXCESS OF REVENUES OVER EXPENDITURES	53,562
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OTHER FINANCING SOURCES (USES):

Operating transfers out	<u>(83,031)</u>
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NET CHANGE IN FUND BALANCE	(29,469)
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FUND BALANCE, BEGINNING OF YEAR	<u>471,678</u>
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FUND BALANCE, END OF YEAR	<u><u>\$ 442,209</u></u>
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ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**STATEMENT OF NET ASSETS  
Proprietary Fund**

June 30, 2006

**ASSETS:**

Current Assets:

Cash and equivalents	\$ 47,613
Accounts receivable	26,839
Prepaid insurance	<u>1,046</u>
Total current assets	<u>75,498</u>

Fixed Assets:

Land	31,635
Buildings and improvements	9,225,609
Furniture and fixtures	62,848
Equipment	786,028
Other fixed assets	<u>34,949</u>

Total fixed assets	10,141,069
Less: accumulated depreciation	<u>(6,251,293)</u>

Net fixed assets	<u>3,889,776</u>
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TOTAL ASSETS	<u>3,965,274</u>
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**LIABILITIES:**

Current Liabilities:

Accounts payable	6,228
Accrued expenses	<u>10,587</u>

TOTAL CURRENT LIABILITIES	<u>16,815</u>
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**NET ASSETS:**

Invested in capital assets net of related debt	3,889,776
Unrestricted	<u>58,683</u>

NET ASSETS	<u>\$ 3,948,459</u>
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ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.



**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
Proprietary Fund**

For the Year Ended June 30, 2006

OPERATING REVENUES:

Sewage Disposal Service:

City of Iron Mountain	\$ 368,503
City of Kingsford	337,959
Parrish Properties	13,352
Operating transfers in	<u>83,031</u>

TOTAL OPERATING REVENUES	<u>802,845</u>
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OPERATING EXPENSES:

Operating and maintenance expense	348,588
Administrative expenses	380,473
Depreciation	<u>274,668</u>

TOTAL OPERATING EXPENSES	<u>1,003,729</u>
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OPERATING (LOSS)	(200,884)
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NON-OPERATING REVENUE:

Interest	<u>1,395</u>
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CHANGE IN NET ASSETS	(199,489)
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NET ASSETS, BEGINNING OF YEAR	<u>4,147,948</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 3,948,459</u></u>
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ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**STATEMENT OF CASH FLOWS  
Proprietary Fund**

For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 721,366
Payments to suppliers	(439,873)
Payments for wages and related benefits	(299,689)
Operating transfers in	<u>83,031</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	64,835
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of fixed assets	(45,749)
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CASH FLOWS FROM INVESTING ACTIVITIES:

Investment income	<u>1,395</u>
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NET INCREASE IN CASH AND EQUIVALENTS	20,481
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CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>27,132</u>
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CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 47,613</u></u>
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RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (200,884)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	274,668
Changes in assets and liabilities:	
Decrease (Increase) in receivables	1,552
Decrease (Increase) in prepaids/deposits	2,744
Increase (Decrease) in accounts payable	(12,271)
Increase (Decrease) in accrued payroll	<u>(974)</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u><u>\$ 64,835</u></u>
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ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN – KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**THE REPORTING ENTITY**

The Iron Mountain – Kingsford Joint Wastewater Treatment Plant (“Plant”), was formed in 1960 under the provisions established by the joint cooperation of the Cities of Iron Mountain and Kingsford. The Plant operates under a board of commissioners consisting of the city manager of each city as well as a member appointed by the respective mayors of the cities.

The Plant, for financial reporting purposes, includes all of the funds relevant to its operations.

The accounting policies of the Plant conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

**BASIS OF PRESENTATION**

**Government-Wide Financial Statements:**

The Statement of Net Assets and Statement of Activities display information about the Plant as a whole. They include all funds of the Plant. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**Fund Financial Statements:**

The accounts of the Plant are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. Funds of the Plant are considered major if they meet the following criteria:



**IRON MOUNTAIN – KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Plant reports the following as major governmental funds in accordance with the above criteria:

Capital Projects Fund

The Plant reports the following as a major enterprise fund in accordance with the above criteria:

Wastewater Treatment Plant

The funds of the Plant are described below:

**Governmental Funds**

Capital Project Fund - Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Proprietary Fund**

Enterprise Funds - Enterprise Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus:**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting:**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)**

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

As allowed by GASB Statement No. 20, the Plant's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.

**ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE**

- a. Cash and Equivalents – The Plant's cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.
- c. Due to and Due From Other Funds – Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Fixed Assets – The accounting and reporting treatment applied to property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Statements:**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE (Continued)**

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	10-40 years
Machinery and equipment	5-20 years

**Fund Financial Statements:**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

The Plant has adopted a capitalization policy for fixed assets of \$500 per item.

- e. Compensated Absences - It is the Plant's policy to permit employees to accumulate a limited amount of earned but unused sick leave, which will be paid to employees upon retirement from the Plant. In governmental funds, the cost of sick leave is recognized when payments are made to employees. In proprietary funds, the cost of vested sick leave is recognized as an expense as earned by the employees.
- f. Equity Classification

**Government-Wide Statements:**

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets.- Consists of capital assets, net of accumulated depreciation.
2. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE (Continued)**

**Fund Statements:**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the government-wide statements.

**REVENUES AND EXPENDITURES/EXPENSES**

**Revenues:**

**Government-Wide Statements:**

In the government-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues includes all revenues which do not meet the criteria of program revenues and include revenues such as property taxes, state revenue sharing payments and interest earnings.

**Fund Statements:**

In the governmental fund statements revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency.

**Expenses/Expenditures:**

**Government-Wide Statements:**

In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.





**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REVENUES AND EXPENDITURES/EXPENSES (Continued)**

**Fund Statements:**

In the governmental fund financial statements, expenditures are classified by character; current, debt service and capital outlay.

In the proprietary fund financial statements, expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

**Operating Revenues and Expenses:**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

**Other Financing Sources (Uses):**

The transfers of cash between the various Plant funds are reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

**OTHER SIGNIFICANT ACCOUNTING POLICIES**

**Interfund Activity:**

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables are eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgets and Budgetary Accounting:**

The Plant follows these procedures in establishing the budgetary data reflected in the supplementary information:

- (1) The budget is enacted through passage of a motion.
- (2) Formal budgetary integration is employed as a management control device during the year for the Capital Projects Fund and Enterprise Fund.
- (3) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) on an activity basis.
- (4) Appropriations lapse at the end of each fiscal year.
- (5) The Joint Board of Commissioners may authorize supplemental appropriations during the year.

The fiscal 2006 budget was adopted on May 19, 2005 and amended on June 16, 2006.

**RESERVATIONS AND DESIGNATIONS OF FUND BALANCES AND RETAINED EARNINGS**

Reservations are used to indicate that a portion of fund balance/retained earnings is not appropriable for expenditure or is legally segregated for a specific future use.

Designations indicate tentative plans or intent for resource utilization in a future period and are thus subject to change and may never be legally authorized or result in expenditure.

**AMORTIZATION OF CONTRIBUTED CAPITAL**

The Plant has opted, as permitted by Statement 2 of the National Council of Governmental Accounting, to treat the depreciation on assets constructed or acquired by grants as an amortization of the "Contributions in Aid of Construction" account. This results in an annual increase of retained earnings and a decrease in the "Contributions in Aid of Construction" account in the Operations and Maintenance Fund totaling \$179,916.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

(Continued)

**NOTE B - CASH AND EQUIVALENTS**

Deposits

The Plant's cash and equivalents as reported in the Statement of Net Assets consisted of the following:

Petty cash	\$ 100
Checking account	2,500
Repurchase sweep accounts	222,553
Certificates of deposit	<u>263,256</u>
 TOTAL	 <u>\$488,409</u>

Deposit Risk

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Plant's deposits may not be returned. State law does not require and the Plant does not have a policy for deposit custodial credit risk. As of June 30, 2006, \$163,256 of the Plant's checking account and certificates of deposit were exposed to credit risk because they were uninsured and uncollateralized. The repurchase sweep accounts were collateralized with U.S. Govt. securities with a fair market value of \$533,704 at June 30, 2006.

**NOTE C - RETIREMENT PLAN**

Description of Plan and Plan Assets - The Plant is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS) of Michigan. The system provides the following provisions: service retirement, deferred retirement and disability retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80% of FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was created under Public Act 135 of 1945, repealed and replaced by successor Municipal Employees Retirement Act of 1984 (PA 427), as last amended by 2004 PA 490, and the MERS Plan Document, as revised. MERS was established to provide a pooled program for retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. MERS issues a publicly available financial report that includes financial statements and requires supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.





**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

**NOTE C - RETIREMENT PLAN (Continued)**

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by the Plant which requires employees to contribute 5% of gross wages to the plan. The Plant is required to contribute at an actuarially determined rate. The contribution rate as a percentage of qualified payroll at June 30, 2006 was 8.80%.

Annual Pension Cost - During the fiscal year ended June 30, 2006, the Plant's contributions totaling \$17,672 and employee contributions of \$10,044 were made in accordance with contribution requirement determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three-Year Schedule of Funding Progress

Actuarial Valuation Date	Accrued Actuarial Value of Assets (a)	Actuarial Liability - (AAL)Entry Age (b)	Underfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/03	\$ 263,819	\$ 381,154	\$ (117,335)	69.2%	199,132	59%
12/31/04	\$ 293,358	\$ 535,629	\$ (242,271)	54.8%	196,939	123%
12/31/05	\$ 327,884	\$ 569,815	\$ (241,931)	57.5%	172,208	140%

**NOTE D - COMPENSATED ABSENCES**

The Plant's employment contracts and agreements provide for paid sick leave that can accumulate up to 960 hours for eligible employees. Once an employee is eligible for retirement this benefit vests at 30% of the accumulated dollar value.

At June 30, 2006 accumulated non-vested sick time amounted to \$36,230. Non-vested unused sick time is not included in the financial statements as a liability.

**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

(Continued)

**NOTE E - FIXED ASSETS**

A summary of property, plant and equipment as of June 30, 2006 is as follows:

	Balance <u>7-1-05</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-06</u>
Land	\$ 31,635	\$ -	\$ -	\$ 31,635
Structures	8,987,108	4,739	-	8,991,847
Improvements	205,862	27,900	-	233,762
Operating Equipment	772,989	13,109	-	786,028
Furniture & Fixtures	62,848	-	-	62,848
Other Equipment	<u>34,949</u>	<u>-</u>	<u>-</u>	<u>34,949</u>
Total	10,095,321	\$ <u>45,748</u>	\$ <u>-</u>	10,141,069
Accumulated Depreciation	(5,976,625)	\$(274,668)	\$ <u>-</u>	(6,251,293)
Net Fixed Assets	\$ <u>4,118,696</u>			\$ <u>3,889,776</u>

Depreciation expense for the year was \$274,668.

**NOTE F - RISK MANAGEMENT**

The Plant is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Plant maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Plant. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE G - USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE H - ECONOMIC DEPENDENCY**

The Plant's Proprietary Fund incurred a net loss of \$(199,489) and an operating loss of \$(283,915) for the year ended June 30, 2006.

The Plant is dependent upon the Cities of Iron Mountain and Kingsford, Michigan to fund its operations via user fees.



**SUPPLEMENTAL  
INFORMATION**

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
Capital Projects Fund**

For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary</u> <u>Basis)</u> <u>(Note A)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Unrestricted contributions:				
City of Iron Mountain	\$ 19,100	\$ 19,100	\$ 19,395	\$ 295
City of Kingsford	19,000	19,000	17,787	(1,213)
Parrish Properties	1,360	1,360	703	(657)
Investment earnings	6,500	6,500	16,811	10,311
TOTAL REVENUES	45,960	45,960	54,696	8,736
EXPENDITURES:				
Consulting/Engineering/Asbestos Abatement	10,000	10,000	1,134	8,866
TOTAL EXPENDITURES	10,000	10,000	1,134	8,866
EXCESS OF REVENUES OVER EXPENDITURES	35,960	35,960	53,562	17,602
OTHER FINANCING SOURCES (USES):				
Operating transfers out	93,000	103,100	83,031	20,069
NET CHANGE IN FUND BALANCE	<u>\$(57,040)</u>	<u>\$(67,140)</u>	<u>\$ (29,469)</u>	<u>\$ 37,671</u>

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
Proprietary Fund**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (Budgetary Basis) (Note A)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUES:</b>				
Sewage Disposal Services:				
City of Iron Mountain	\$ 364,300	\$ 364,300	\$ 368,503	\$ 4,203
City of Kingsford	361,300	361,300	337,959	(23,341)
Parrish Properties	12,240	12,240	13,352	1,112
Other	1,500	1,500	-	(1,500)
<b>TOTAL OPERATING REVENUES</b>	<b>739,340</b>	<b>739,340</b>	<b>719,814</b>	<b>(19,526)</b>
<b>OPERATING EXPENSES:</b>				
Operations and Maintenance:				
Contracted services:				
Analytical	6,500	6,500	12,030	(5,530)
Engineering services	-	-	1,196	(1,196)
Solids handling	58,000	87,000	80,789	6,211
Miscellaneous	500	500	-	500
Treatment chemicals:				
Disinfection	3,700	3,700	2,905	795
Solids removal	24,000	26,000	27,554	(1,554)
Laboratory:				
Chemicals	1,800	1,800	1,770	30
Supplies	5,000	6,000	6,115	(115)
Maintenance:				
Pumps	6,000	5,000	1,778	3,222
Electrical	5,000	5,000	3,229	1,771
Prelim. treatment	8,200	8,200	7,543	657
Primary treatment	1,800	1,800	164	1,636
Secondary treatment	3,000	3,000	9,991	(6,991)
Solids treatment	1,500	1,500	3,031	(1,531)
HVAC	5,000	5,000	8,981	(3,981)
Vehicles	600	600	273	327
Grounds/grounds equipment	1,500	1,500	2,153	(653)
Buildings	5,500	5,500	3,652	1,848
Stand-by power	1,500	1,500	-	1,500
Fuel lubricants	2,500	2,500	2,982	(482)
Miscellaneous	3,000	3,000	461	2,539

**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS





**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER  
TREATMENT PLANT**

**SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL**

**Proprietary Fund  
(Continued)**

For the Year Ended June 30, 2006

<b>Utilities:</b>				
Gas	46,000	66,260	69,409	(3,149)
Electric	98,000	98,000	94,278	3,722
Water and sewer	6,500	6,500	6,413	87
Telephone	2,000	2,000	1,891	109
Total operations and maintenance expenses	297,100	348,360	348,588	(228)
<b>Administrative Expenses:</b>				
Salaries and wages	212,000	210,000	202,095	7,905
Payroll taxes	16,000	16,000	15,535	465
Pension	17,000	17,000	17,672	(672)
Health/life insurance	90,000	65,000	63,413	1,587
Office expense	3,500	3,500	4,551	(1,051)
Education/memberships	2,000	2,000	1,801	199
Accounting and audit	7,400	7,400	7,500	(100)
Professional fees	1,000	1,000	763	237
Board expenses	780	780	780	-
Collection fees	15,400	15,400	15,400	-
Comp/liability insurance	57,000	45,000	44,380	620
State permits	7,000	7,000	6,510	490
Safety	5,000	1,000	48	952
Miscellaneous	500	500	25	475
Total administrative expenses	434,580	391,580	380,473	11,107
Depreciation Expense	275,000	254,000	274,668	(20,668)
Total operating expenses	1,006,680	993,940	1,003,729	(9,789)
OPERATING (LOSS)	(267,340)	(254,600)	(283,915)	(29,315)
<b>NON-OPERATING REVENUE:</b>				
Interest earned	600	600	1,395	795
Contributions from other fund	93,000	103,100	83,031	(20,069)
Total non-operating revenues	93,600	103,700	84,426	(19,274)
NET (LOSS)	<u>\$ (173,740)</u>	<u>\$ (150,900)</u>	<u>\$ (199,489)</u>	<u>\$ (48,589)</u>

The accompanying notes to financial statements are an integral part of this statement.





## OTHER REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
"GOVERNMENT AUDITING STANDARDS"**

Joint Board of Commissioners  
Iron Mountain – Kingsford Joint Wastewater Treatment Plant  
Iron Mountain – Kingsford, Michigan

We have audited the financial statements of the governmental and business-type activities of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant, as of and for the year ended June 30, 2006, which collectively comprise the Iron Mountain – Kingsford Joint Wastewater Treatment Plant's basic financial statements and have issued our report thereon dated July 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iron Mountain – Kingsford Joint Wastewater Treatment Plant's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iron Mountain – Kingsford Joint Wastewater Treatment Plant's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards".

This report is intended solely for the information of the Joint Board of Commissioners and management and is not intended to be and should not be used by anyone other than those specified parties.

*Anderson Tackman & Co. PLLC*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

July 18, 2006

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS





**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

July 18, 2006

Board of Commissioners  
Iron Mountain-Kingsford  
Joint Wastewater Treatment Plant  
Iron Mountain-Kingsford, MI

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Iron Mountain-Kingsford Joint Wastewater Treatment Plant for the year ended June 30, 2006, we considered the entity's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of two matters that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding that matter. This letter does not affect our report dated July 18, 2006 on the financial statements of the Iron Mountain-Kingsford Joint Wastewater Treatment Plant.

1. Statement On Auditing Standards (SAS) No. 99 was first applicable for the year ended June 30, 2004. In our letter of comments and recommendations dated July 20, 2004, we commented on the applicability of SAS No. 99 and how it emphasizes the importance of implementing procedures to understand the forms of fraud, evaluating fraud risk, mitigating fraud risk, and communicating to employees the Board's views and positions relative to ethical behavior. We also provided an exhibit from SAS No. 99 that provides guidance for the implementation of antifraud programs and controls.

For the year ended June 30, 2006, we noted that no formal action relative to this matter was taken as of yet by the Board. Once again, we encourage you to do so. I have provided the SAS No. 99 Implementation Guide with this letter.

We have noted that entities have, for the most part, not followed through with formal programs as of yet. I personally feel it is because of the nature of the topic and uncertainty about just exactly how to proceed. However, SAS No. 99 is a direct result of frequent and well-publicized breakdowns as far as fraud and ethical behavior is concerned, and the need for bolstering controls in these regards is important.

Board of Commissioners

July 18, 2006

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2. During the review of disbursements it was noted that some invoices were not cancelled upon payment. Out of the 25 disbursements that were selected for examination 5 invoices were not cancelled upon payment. Based on discussion with management, the evidence of cancellation upon payment was included on the remittance advice that was mailed along with the check to the vendors.

Recommendation

Policies and procedures should be in place to effectively cancel invoices once they are paid. This could be done by either writing "Paid" or stamping "Paid" on each invoice along with the check number and date.

We appreciate your retaining our firm to provide audit services for the year ended June 30, 2006. The cooperation we received from your personnel was excellent. If you have any questions, do not hesitate to contact us.

Very truly yours,

ANDERSON, TACKMAN, & COMPANY, PLC

A handwritten signature in black ink, appearing to read "L. Robert Schaut", written in a cursive style.

L. Robert Schaut, CPA  
Senior Principal

LRS:jh